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HOUSE ARMED SERVICES COMMITTEE

STATEMENT OF
HONORABLE DONALD C. WINTER
SECRETARY OF THE NAVY
BEFORE THE
HOUSE ARMED SERVICES COMMITTEE
01 MARCH 2006

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Secretary of the Navy

The Honorable Donald C. Winter

Donald C. Winter is the 74th Secretary of the Navy, sworn into office on Jan. 3, 2006. As Secretary of the Navy, Dr. Winter leads America's Navy and Marine Corps Team and is responsible for an annual budget in excess of \$125 billion and almost 900,000 people.

Prior to joining the administration of President George W. Bush, Dr. Winter served as a corporate vice president and president of Northrop Grumman's Mission Systems sector. In that position he oversaw operation of the business and its 18,000 employees, providing information technology systems and services; systems engineering and analysis; systems development and integration; scientific, engineering, and technical services; and enterprise management services. Dr. Winter also served on the company's corporate policy council.



Previously, Dr. Winter served as president and CEO of TRW Systems; vice president and deputy general manager for group development of TRW's Space & Electronics business; and vice president and general manager of the defense systems division of TRW. From 1980 to 1982, he was with the Defense Advanced Research Projects Agency as program manager for space acquisition, tracking, and pointing programs.

The Secretary of the Navy is responsible for all the affairs of the Department of the Navy, including recruiting, organizing, supplying, equipping, training, mobilizing, and demobilizing. The Secretary also oversees the construction, outfitting, and repair of naval ships, equipment and facilities. The office is also responsible for the formulation and implementation of naval policies and programs that are consistent with the national security policies and objectives established by the President and the Secretary of Defense. The Department of the Navy consists of two uniformed Services: the United States Navy and the United States Marine Corps.

Dr. Winter earned a bachelor's degree (with highest distinction) in physics from the University of Rochester in 1969. He received a master's degree and a doctorate in physics from the University of Michigan in 1970 and 1972, respectively. He is a 1979 graduate of the USC Management Policy Institute, a 1987 graduate of the UCLA Executive Program, and a 1991 graduate of the Harvard University Program for Senior Executives in National and International Security. In 2002, he was elected a member of the National Academy of Engineering.

SECNAV POSTURE STATEMENT

Providing the Right Force for the Nation Today... While Preparing for the Uncertainties of Tomorrow.

I. Introduction

Mr. Chairman and members of the Committee, thank you for the opportunity to appear before you today. I recently had the opportunity to visit our forces in Iraq. This was my first visit to Iraq. I was truly impressed by the genuine enthusiasm and drive of our forces. Our Marines and Sailors believe in what they are doing and they are performing superbly in very challenging circumstances. From the Iraqi-Syrian border region to Iraq's off-shore oil terminals, our troops are making a difference in the transition of Iraq to a democratic nation. Our troops recognize they are making a difference and are proud of what they do. And, I am very proud of what they are doing to win the war. It is not an easy battle but one that, with the support of the American people and Congress, we can and will win. Your continued support of our Sailors and Marines has a profound, positive impact on our ability to provide matchless naval forces for the defense of the United States.

Throughout the world, the Navy and Marine Corps Team continues to answer the Nation's call and play a leading role in the Global War on Terror (GWOT). During 2005, the versatility and flexibility of expeditionary naval forces were repeatedly demonstrated while undertaking missions that ranged from major combat operations in Afghanistan and Iraq, to Humanitarian Assistance and Disaster Relief (HA/DR) operations in Indonesia and on our own Gulf Coast after Hurricanes Katrina and Rita.

Providing the right force for the Nation today, in a time of war, is not the only challenge. We must also prepare for the uncertainties of tomorrow that include future terrorists and other emerging asymmetric threats, as well as potential peer competitors. All of these will require Navy and Marine Corps forces capable of preserving America's longstanding maritime dominance.

Naval forces have inherent, unique warfighting capabilities that include global access, a non-intrusive footprint, persistent presence, and expeditionary power that always figure prominently in the President's deliberations during times of crisis. Far-sighted leaders in Congress, recognizing naval forces' unique strengths, deserve our thanks for the key resource decisions they have made in recent years.

This past year featured a long and impressive list of Navy and Marine Corps achievements in support of GWOT. Last year in Iraq, Navy and Marine Corps personnel proved critical to the

achievement of wartime objectives. A Marine Expeditionary Force conducted operations in Al Anbar province, the heart of the Baathist insurgency, and was successful in ensuring security for the historic elections in January and December 2005. Marines also executed missions in Afghanistan and the Horn of Africa. Sailors were deployed to US Central Command (USCENTCOM) in various missions ashore, requiring boots on the ground. Missions were performed by SEALs, Seabees, Military Police (MP), Explosive Ordnance Disposal (EOD), medical, intelligence, civil affairs, and other support personnel.

The flexibility and professionalism of naval forces were also on display in providing humanitarian relief to tsunami victims in South Asia, earthquake victims in Pakistan, and to our own citizens along the Gulf Coast. After Hurricane Katrina hit, naval forces responded with 23 ships, more than 12,000 Sailors and Marines, and 104 aircraft to evacuate more than 8,000 victims and deliver more than 2 million pounds of food and countless gallons of water. The zeal and professionalism with which Sailors and Marines rushed forward to save lives and provide comfort to the afflicted were brought under an international spotlight, proving once again that naval forces have the versatility to serve as first responders with global reach.

In carrying out these missions, from Kabul to Baghdad, and Indonesia to New Orleans, the Navy and Marine Corps performed superbly, taking advantage of their unique capabilities to engage the enemy or rescue those in distress, achieving objectives ranging from eliminating a terrorist enclave to building enduring relationships and gaining influence through our goodwill gestures. Faced with the strategic imperatives of providing the right force for the nation today, while simultaneously building naval capabilities for the challenges of tomorrow, the Department must continue on its course towards transformation and modernization. Funding technologies and weapons systems that will enable naval forces to enlarge their contributions to GWOT is our most urgent task. Investing in the ships, aircraft, submarines, and Marine Corps warfighting equipment and people to preserve this Nation's historic naval power to dissuade or deter peer competitors, to prevail in war, and to win hearts and minds, remains an enduring, fundamental strategic requirement.

Responsible and successful statesmanship requires matching strategic ends to available means. This requires trade-offs and hard choices in a security environment where errors or misjudgments can result in significant consequences. The Department of the Navy's portion of the President's Budget for FY 2007 is the product of a realistic, rigorous assessment of naval requirements, resources, and priorities. It reflects both wartime exigencies and prudent investments, with a vigilant eye on the uncertainties of tomorrow.

As Navy and Marine Corps forces are actively engaged in combat operations in Iraq, Afghanistan, and stand ready around the globe, we have a solemn duty to ensure that our Sailors and Marines are trained, equipped, and prepared for all missions. The FY 2007 President's Budget meets these requirements.

II. FY 2007 Budget Priorities

In support of the Department of the Navy's mission and as validated by the 2006 Quadrennial Defense Review (QDR), the FY 2007 President's Budget provides the right force for the Nation today, prepares for the uncertainties of tomorrow, and effectively manages the risk imposed by legitimate fiscal constraints.

The FY 2007 budget includes \$127.3 billion for the Department of the Navy, an increase of \$4.4 billion over last year's baseline appropriations.

In FY 2007, every appropriations category increases except for Research and Development (R&D). Military Personnel accounts increase due primarily to health care costs and retired pay. Operating accounts increase because of the rising cost of fuel, and to support higher readiness levels that overall generates a more cost-efficient use of valuable naval assets. Procurement accounts increase as we build the future fleet. The R&D accounts decrease as a result of programs transitioning from development to production. The following summarizes the FY 2007 budget highlights for the Department of the Navy:

Personnel Salary and Benefits. The FY 2007 President's Budget includes an increase of \$1.4 billion in military personnel spending which includes a basic pay raise of 2.2% for all service members, health benefits, a 5.9% increase in housing allowance, special pays, and targeted pay raises for warrant officers and mid-grade/senior enlisted personnel. As a result of targeted pay incentives, the Navy and Marine Corps achieved nearly every active duty recruiting and retention goal with exceptions found only in highly technical specialties. To maintain momentum, the Navy and Marine Corps have increased funding for enlistment bonuses. Congressional support is appreciated for the re-enlistment bonus increases slated for selected technical ratings.

Operation and Maintenance. The FY 2007 President's Budget increases Operation and Maintenance by \$2.1 billion. As part of a joint warfighting team, the Navy and Marine Corps will control the seas, assure access, and project offensive power and defensive capability to influence events at sea and ashore. The ability of naval forces to meet the Combatant Commanders' requirements is a function of their combat readiness. The Navy's Fleet Response Plan (FRP) produces adaptable force packages and better sustains readiness throughout a unit's operational cycle to ensure the availability of fully ready Carrier Strike Groups (CSG) and other fleet assets. The goal of FRP is to provide the Nation with 6 CSGs within 30 days, and an additional CSG within 90 days. FY 2007 funding will invest in future readiness for an experienced and trained fleet and will also provide better trained, safer, and more lethal Marines before they deploy. Marine forces preparing for combat operations also require additional training resources. FY 2007 funds will also pay to implement the following new joint capabilities, which reflect an increased role for the Department of the Navy in prosecuting GWOT:

a. The Marine Corps Special Operations Command (MARSOC) will enhance interoperability, and provide greater flexibility and increased capability to conduct irregular warfare.

b. Regeneration of a Navy Riverine Capability will fill a critical capability gap by extending operations into the “brown water” environment, and provide additional opportunities to build partner-nation cooperation.

c. The Expeditionary Security Force will increase the effectiveness of shipborne security and maritime interdiction operations by supporting intercept and boarding capabilities in every CSG/ESG, as well as providing high end defensive capabilities within the Navy in support of force protection, harbor/port defense, and protection of maritime infrastructure.

d. The National Maritime Intelligence Center, serving as the Nation’s Global Maritime Intelligence Integration Center, will increase Maritime Domain Awareness (MDA) by strengthening interagency operations and enhancing partner-nation cooperation.

Shipbuilding Account. The FY 2007 budget for shipbuilding ensures that tomorrow’s fleet will remain the world’s preeminent. In FY 2007, fourteen ships will be delivered to the Navy that include: four Amphibious Transport Dock ships (LPD) - (Hurricane Katrina impact may delay two ships to FY 2008), three Dry Cargo and Ammunition ships (T-AKE), three Guided-Missile Destroyers (DDG), one Amphibious Assault ship (LHD), one Attack submarine (SSN), and one Oceanographic Survey ship (T-AGS). Also, the first of its class Littoral Combat Ship (LCS) will be delivered, built in less than two years. This is the payoff of previous years’ investments toward buying naval capabilities for the future.

Aviation Account. The FY 2007 budget increases aviation procurement by \$1.2 billion to support the continued acquisition of critical programs including the Joint Strike Fighter (JSF), F/A-18E/F, EA-18G, MV-22, AH-1Z/UH-1Y, MH-60R, MH-60S multimission helicopters, and the Joint Primary Aircrew Training System (JPATS). Funding for 165 aircraft in FY 2007 reflects an increase of 31 aircraft over FY 2006, and a total of 1,150 new aircraft over the Future Years Defense Plan (FYDP).

Marine Corps Ground Equipment Accounts. High Mobility Multi-Purpose Wheeled Vehicle (HMMWV), Light Armored Vehicle Product Improvement Program (LAV PIP), Lightweight 155mm Howitzer (LW-155), High Mobility Artillery Rocket System (HIMARS), and the Assault Breaching Vehicle (ABV) are vital programs funded in this budget. The Expeditionary Fighting Vehicle (EFV) begins initial low rate production in FY 2007.

Research, Development, Test & Evaluation (RDT&E) Account. In FY 2007, research and development decreases by \$1.8 billion, reflecting acquisition maturation and the transition to production. Additionally, there is a transfer of \$280M from Navy R&D to Defense Wide R&D for Joint Forces Command efforts. Critical Shipbuilding programs include CVN 21, DD(X), LCS, Joint Highspeed Vessel and the SSN 774 Virginia-Class submarine. Critical manned aviation programs include the Joint Strike Fighter (JSF), P-8A Multi-Mission Maritime Aircraft (MMA), VH-71 Presidential helicopter replacement, E2D, EA-18G, and CH-53K.

Providing the Right Force for the Nation Today...

III. Naval Workforce

Those of you who have visited forward deployed Navy and Marine forces, as I have recently done, know that naval forces include the best of America's young men and women. I am energized every time I have an opportunity to meet and talk with our Sailors and Marines. It is pure joy each time I reenlist or promote these true patriots. I deeply admire their willingness to continue their service and swear an oath of allegiance knowing the dangers and hardships they face. My visits reinforced the highest regard I already hold for the tremendously dedicated men and women who serve our Nation, in uniform and out, and for their leadership.

Commitment to the welfare and professional development of these Sailors and Marines is a top priority. I give the same emphasis to safety. The Department is making investments in protecting Sailors and Marines through accident prevention initiatives and with armor and specialized equipment. Our Sailors and Marines, civilians, and contractors deserve our very best efforts to maintain their continued safety and welfare.

The rising cost of naval manpower continues to drive the overall budget significantly. While the Department continues to increase performance efficiency through targeted manpower reductions, total manpower costs continue to rise. We must invest in this force so that it remains technically competent, properly equipped, and well trained.

Protect Sailors and Marines. Protecting Sailors and Marines is a top priority. In response to growing force protection concerns in Iraq and Afghanistan, the Department has expeditiously acquired technology and hardware to equip Marines and Sailors for current wartime operations.

Personal Protective Equipment. Every Marine, Sailor, and Department of the Navy civilian is issued a complete set of body armor before going into Iraq or Afghanistan. They are outfitted with the Interceptor Body Armor System, including Outer Tactical Vests, Small Arms Protective Inserts (SAPI), ballistic helmets and ballistic goggles. Enhanced SAPI plates have been providing a significant force protection improvement, with 13,798 sets fielded. In June 2005 the Marine Corps identified the need for armor side plates. Delivery to the field began in November 2005, and to date 11,614 sets of body armor side plates have been shipped to theater, and an additional 9,000 sets will be fielded during the third quarter of FY 2006. Other initiatives, such as an improved lightweight combat helmet, and lower face and body armor, are under development.

Vehicle Hardening. Since August 2004, all Marine Corps vehicles operating outside Forward Operating bases have been equipped with Level II armor or better. The Marine Corps worked hard to replace the first generation armor with this improved zonal protection.

A FY 2006 bridge supplemental of \$179 million is procuring the final 524 M1114s (Up-Armored Armament Carrier configuration of the HMMWV family) to fill the requirement for 2814 M1114s, by September 2006. The Marine Corps Systems Command and the Marine Corps Warfighting Lab teamed with the Army Developmental Test Command to test and rapidly assess various materials for use in vehicle hardening, to include improved ballistic glass, armor, and ceramics. These added armor capabilities have been incorporated into the next generation of vehicle hardening initiatives: the Marine Armor Kit (MAK) for the HMMWV, and the Medium Tactical Vehicle Replacement (MTVR) Armor System (MAS). MAK and MAS armor are replacing previous generations with an integrated, comprehensive (improved perimeter, top, and under-body) armor kit. A total of 2660 HMMWV MAK installations were completed by November 2005. MTVR MAS kit installation is over 60% complete with an estimated completion date of May 2006 for the remaining vehicles.

Counter IED Technology and Equipment. The Department has aggressively developed technologies to counter the threat posed by Improvised Explosive Devices (IEDs) in Iraq and Afghanistan. I recently had the opportunity to visit our forces in Iraq. From first-hand observation, I can assure you that we are working the IED problem comprehensively and with a great sense of urgency. IEDs are a continuously evolving problem and we are constantly evolving our response. We are effectively addressing challenges associated with IEDs.

The Department of Defense (DoD) designated the Navy as the single manager for Explosive Ordnance Disposal (EOD) technology and training responsible for the development of Joint Service EOD technology. The Department has fully supported the Joint IED Defeat Organization with leadership as well as delivery to Iraq of a number of high and low powered jammers. The Office of Naval Research (ONR) is focusing on long-term (5-10 years) research for solutions to countering the IED threat. Over 450 responses to their Broad Agency Announcement have been received and are currently being evaluated.

Recruit / Retain the Right Force. With advances in the technology of weapons systems and platforms requiring personnel with highly specialized knowledge of computers and engineering, Navy and Marine Corps recruiters must target the top of the talent pool. Those who join and are subsequently trained to further develop their skills become increasingly valuable and are difficult to replace. Monetary incentives to recruit and retain are important, but not sufficient. Effective leadership and the sense that one is engaged in a noble, rewarding profession are even more important in motivating talented people to serve the Nation.

Pay Compensation Initiatives. Officer retention rates remain well above the historical lows of the late 1990s. The improvement is directly attributable to targeted incentive/critical skill pays established to address shortfalls. Despite the current positive retention trend, shortfalls remain in the Lieutenant Commander through Captain ranks in the Surface and Submarine communities. The use of continuation pay to target shortfalls will be continued.

Family Support. Military service places unique demands on families and communities. The FY 2007 President's Budget for family and community services supports my

personal emphasis on our people. It improves recruiting and retention, and supports our personnel in times of crisis. Family support programs and services assist in achieving operational readiness and improve retention by caring for our families. The Marine for Life – Injured Support Program provides continuing care for the critically injured Marines and Sailors serving with Marines. A robust family support system is an essential element to maximizing every Sailor’s and Marine’s quality of service, and is my personal priority.

Housing Initiatives. Improving housing is a top priority as we recruit, retain, and improve the naval workforce. The complete elimination of inadequate military housing is our goal. The Department’s housing strategy focuses on several areas including zero average out-of-pocket expenses for Sailors and Marines by raising Basic Allowance for Housing (BAH) in high-cost areas, completing construction of new housing units, and completing our successful program of privatizing military family housing. Additional initiatives include maintaining the “Homeport Ashore” program that constructs new housing for single, junior (E1-E3) personnel currently living onboard their ships, even while in homeport. Marine Corps improved housing for single Marines will be completed by FY 2011.

Healthcare. Providing superb health care to Sailors, Marines, and their families is a critical part of the Department’s support for personnel. The FY 2007 budget includes an increase in funding to support healthcare accrual costs. Navy medicine is focused on supporting the deployment readiness of the uniformed services by delivering the right medical care for the fleet and Fleet Marine Force while providing for the health care needs of families and retirees. This health care includes improved post deployment care for returning Marines, Sailors and their families.

Shape the Force to Match the Need. As the world gets more complex, the future force must continue with technology intensive training, but must also develop new skill sets as we move from the blue to the green and brown water environments. Advances in ship and systems designs will allow us to use technology to improve warfighting readiness, while skills like cultural awareness and foreign languages will enhance our effectiveness as we operate across the littorals and ashore. Future emphasis will focus on matching the right skills and experience to the right place at the right time, and providing the personal and professional tools needed to succeed.

Moving forward to execute a comprehensive strategy to enhance combat effectiveness in the 21st Century, the Department is designing a force that is aligned, shaped and developed to current and future mission requirements. In order to reduce and reshape the force, incentives and tools are needed to identify personnel in obsolete or overmanned skill sets. The Perform-to-Serve and Early Release programs are two examples that have helped create a more experienced, better trained, and smaller force.

IV. Operations

Today, Sailors and Marines are postured worldwide, fighting the war on terror, deterring aggression by would-be foes, preserving freedom of the seas, and promoting peace and security. On 15 February 2006, 141 ships (50% of the Battleforce) were underway of which 97 ships (35%) are forward deployed. Navy active strength totals 357,474 of which 5,298 are mobilized Reserves. Marines are forward deployed worldwide, including the combat zones of Iraq and Afghanistan. Marine Corps strength totals 179,139 with 7,040 mobilized Reserves.

Project Naval Power in the Global War on Terror. Winning the GWOT is our number one strategic priority. Sailors and Marines are actively engaged in operations in both Iraq and Afghanistan, as well as in counter-terrorist operations in the Horn of Africa, the Philippines, the Persian Gulf, and elsewhere around the globe.

Currently over 26,000 Marines are serving in the CENTCOM Area of Responsibility (AOR), together with both sea- and shore-based Navy personnel in support of Operations IRAQI FREEDOM and ENDURING FREEDOM. Marines continue to conduct operations in the Al Anbar province of Iraq with counter-insurgency operations in the Euphrates river valley and other locations in Iraq. Training of Iraq forces is of particular importance. In Afghanistan, Marines provide a reinforced infantry battalion to the multi-national forces, and three Embedded Training Teams within the Afghan National Army. These teams train, mentor, and operate with their Afghan counterparts. Building up the capacity of our partners is critical to the strategy of countering extremist influence in the war on terror.

All together there are over 10,000 Sailors serving ashore throughout the CENTCOM AOR including more than 4,000 in Iraq, and an additional 2,600 in Kuwait that include SEALs, Seabees, MPs, EOD, medical, intelligence, legal, civil affairs, and other support personnel. Navy CSGs and ESGs continue to deploy in support of GWOT, conduct combat operations in Iraq and Afghanistan, execute counter-piracy missions, and provide humanitarian assistance and disaster relief such as the tsunami relief, Pakistani earthquake, and on our own Gulf Coast after Hurricanes Katrina and Rita. Additionally, there are approximately 400 Sailors in Afghanistan and 700 Sailors at the Guantanamo Bay Naval Station, where the Navy is scheduled to assume responsibility for the Joint Task Force in the Spring of 2006.

Improve Surge Capability. The GWOT requires a naval force capable of surging to protect our interests throughout the world. The FRP is the operational framework that capitalizes on investments that have been made for higher readiness throughout a unit's operational cycle. By leveraging increased readiness under the framework of the FRP, the Navy has responded to support Combatant Commanders around the globe. The Navy today is meeting all commitments with trained and ready forces, and taking on new roles to address security challenges. The Marine Corps accounts for 4% of the DoD budget while providing 23% of the nation's active-duty ground forces. Currently, over 39,000 Marines are forward deployed conducting combat, peacekeeping, humanitarian assistance, and training missions worldwide. This investment in

expeditionary combat power is more than just a good value; it is a product of focused, responsible stewardship.

Enhance Homeland Security. The Navy has established a strong cooperative working relationship with the U.S. Coast Guard in support of maritime defense operations. The existing DoD / DHS Memorandum of Agreement (MOA) enables rapid provision of Coast Guard forces to the Navy in the event of a national crisis. The Services are currently working the modalities of inter-service cooperation cited in the Maritime Operational Threat Response plan of the President's National Strategy for Maritime Security. Additionally, the Department will remain prepared for CONUS consequence management with capabilities that include maritime and aviation assets for logistics, Search and Rescue (SAR), EOD, headquarters and communication platforms, medical, salvage, and Seabee construction support.

Increase Maritime Domain Awareness (MDA). Protection of the US homeland and critical interests around the world requires a strong commitment to enhancing MDA, a key component of an active layered maritime defense in depth. The U.S. Navy is a vital part of this initiative. The Presidential Directive for Maritime Security Policy calls for a national plan to achieve MDA. The Navy actively participates in the National MDA Implementation Team with US Northern Command (NORTHCOM) and 19 other agencies to develop an investment strategy. The team is improving MDA through interagency cooperation, developing and strengthening relations with international partners, and accelerating investment in multinational coordination, such as the Automatic Identification System (AIS), and the Multinational Information Sharing System (MNIS). Proliferation Security Initiative (PSI) and the Container Security Initiative (CSI) are important tools in this effort. Additionally, the Navy and Coast Guard are exploring other focused technology areas including data fusion and anomaly detection capabilities to enable analysts and watchstanders to transform large quantities of data into actionable intelligence.

Provide Humanitarian Assistance / Disaster Relief. The Navy and Marine Corps Team can rapidly respond to crises around the globe to provide combat power projection or humanitarian assistance and disaster relief. After the tsunami struck South Asia late last year, forward-deployed naval forces were the first on-scene providing life-saving assistance. Within a few days of the disaster, USS ABRAHAM LINCOLN (CVN 72), USS BONHOMME RICHARD (LHD 6) and supporting ships arrived off the coast of Indonesia, and commenced ferrying supplies ashore and evacuating critical patients to sea-based medical facilities.

During the relief operation, over 25 ships with embarked aircraft and landing craft, and the hospital ship USNS MERCY (T-AH 19), delivered more than 24 million pounds of relief supplies and treated over 6,500 patients. Recovery and relief in Pakistan following the devastating earthquake were led by on-station Navy and Marine Corps units. These kinds of missions show our nation's compassion and are just as important as showing our military strength.

When Hurricanes Katrina and Rita left a swath of destruction across our southern Gulf Coast, the Navy and Marine Corps Team responded. Ships of all types sortied from their homeports to the

Gulf of Mexico. Navy and Marine Corps helicopters from air stations around the country quickly flew into New Orleans in the critical first few days following the storm to rescue thousands of stranded citizens. USS BATAAN (LHD 5), conducting training exercises in the area, was first to respond. USS IWO JIMA (LHD 7), our newest amphibious assault ship, transited from Norfolk and docked pierside in New Orleans to serve as a joint, interagency command and control center, a landing strip for a multitude of helicopters, and a base for rescue workers. USS HARRY S TRUMAN (CVN 75) sortied from Norfolk to act as an additional aviation platform for ferrying relief supplies. Navy and Marine Corps Reserve personnel used their amphibious training and equipment for rescue operations, and in many cases, were the first help to arrive on-scene. The hospital ship USNS COMFORT (T-AH 20) surged from reduced operating status in Baltimore to be on-scene in a few days. Bases at Gulfport and Meridian provided over 7,000 meals a day to evacuees, military personnel and relief workers. Marines flew 815 sorties and transported 1.1 million pounds of cargo and 5,248 passengers. A total of 446 rescue missions were flown, resulting in the recovery of 1,467 personnel. The Seabees built self-contained tent cities that housed 6,500 people each and included hot showers, hot meals and laundry facilities. Fleet and Family Support centers from unaffected Naval Stations moved into the area to set-up “safe haven” programs to help military families deal with the enormous stress that Katrina brought in her wake. All the efforts of the Sailors and Marines focused on helping others in time of need, regardless of geography or circumstance. Carrying on the proud tradition of naval service, they earned a particular sense of accomplishment in these noble missions.

Expand Presence and Capabilities into Littoral and Riverine Environments.

The Navy and Marine Corps are expanding the Nation’s ability to extend combat power from the sea to the littoral regions of the world. These regions encompass large portions of the world’s populace and hold many vital centers for transportation, commerce, and government. One key initiative, the Naval Expeditionary Combat Command (NECC), will combine a riverine and small boat capability with expeditionary training, security, and logistics, maritime civil affairs, Seabees, EOD, and Mobile Diving and Salvage. This realignment of existing force structure with new warfare initiatives will enhance maritime boarding operations, port security, foreign military training, and crisis/disaster response to create influence and capacity for near-shore and inland waterway operations.

V. Equipment

The Department of the Navy is committed to enhancing procurement programs to improve capabilities, efficiency, and productivity. The Department’s strategy is to establish consensus for procurement among the Administration, Congress, and contractors to forge a new commitment to building a force for the future, while establishing a stable industrial base.

Simultaneously Reset, Recapitalize, and Modernize Equipment. Combat operations in Iraq and Afghanistan and the increased operational tempo in support of GWOT are stressing equipment and diminishing pre-positioned stocks of hardware, munitions, and supplies.

Harsh environments, unavoidable maintenance delays, and battle damage are all taking their toll on equipment. The cost associated with resetting the force is above the baseline budget and will be covered with appropriate Supplementals.

Combat operations have subjected much USMC equipment to a lifetime worth of use in just a few years. Many systems are already at or beyond program service life. Examples include the M198 howitzer, HMMWV, EA-6B, CH-53D, CH-46E and UH-1N. Service life extension programs and innovative forward deployed maintenance programs are helping keep current equipment combat-ready.

Enhance Procurement Programs: Improvements and Affordability. The Sea Enterprise initiative is transforming naval business processes and driving efficiencies and effectiveness, essentially balancing the “Right Force, Right Readiness, and Right Cost.” Sea Enterprise is changing the Department’s business culture, improving productivity, streamlining processes, and harvesting savings to support higher priorities.

The Department is developing leaders with a better understanding of business strategies, cost control, program risk and rapid flexible design. As stewards of the Department’s acquisition and total ownership processes, the Systems Commands, Direct-Reporting Program Managers (DRPMs), and Program Executive Officers (PEOs) are responsible for furnishing high-quality yet affordable technologies, systems, platforms, training, and support to the operating forces.

To help guard against the danger of procurement fraud, the Department established the Naval Acquisition Integrity Office in the Office of the General Counsel. This office coordinates all parts of the procurement fraud program and provides training and guidance on procurement fraud matters.

... While Preparing for the Uncertainties of Tomorrow

VI. Shape Our 21st Century Workforce

Future combat effectiveness and employment are dependent upon obtaining a force with the right skills in the right place at the right time. The active and reserve military components, civil servants, and the Department's contractors must continue to adapt to different operating environments, develop new skills, and rebalance capabilities and people to remain prepared for the new challenges of an uncertain future. The Department of the Navy is working to increase efficiency by implementing force shaping tools to target manpower reductions, and by defining the skill-mix of the force to capitalize on new technologies and conduct new missions.

Ensure the Correct Endstrength. To facilitate transformation, the Navy strength will decrease by 12,000 in FY 2007 to 340,700. The budgeted Navy endstrength reflects a commitment to proper sizing and includes the following initiatives:

- a. "Sea Swap" rotational crews for smaller ships.
- b. Decommissioning of older, manpower intensive platforms.
- c. Improved use of technology to reduce shipboard manning and shorten training pipelines.
- d. Conversion of military to civilian, as appropriate. This includes the continued conversion of billets on selected Military Sealift Command ships and in medical facilities in rear areas or ashore.

The Marine Corps is realigning within its endstrength to ensure continued readiness to sustain combat capabilities. The Marine Corps is utilizing selected Marine Corps Reserve units and individual augmentees as necessary to maintain essential wartime capability. Baseline funded Marine Corps manning levels for Active and Reserve forces remain the same in FY 2007 at 175,000 and 39,600 respectively.

Develop a Force with the Skills Required for the Future. Future force attributes such as foreign language skills, cultural awareness, mastering technology and cyberspace, together with traditional warfighting skills will be critical to the Navy and Marine Corps. The Navy is expanding the Foreign Area Officer (FAO) program that will form a professional cadre of officers with regional expertise and language skills to provide support to Fleet Commanders, Combatant Commanders, and Joint staffs. The immediate mission for the community is to rapidly improve the Navy's ability to conduct theater security cooperation, improve partner capacity in GWOT, and generate actionable intelligence. These personnel will work in complex environments in remote locations and will forge personal relationships that could be useful during times of crisis.

The Marine Corps Center for Advanced Operational Culture Learning (CAOC-L) is the Corps' "one-stop" clearing house for operational culture and language training. Through focused training for the operating forces, individual training and Professional Military Education, distance learning, and professional reading, it promotes a grasp of culture and language as regular, mainstream components of the operating environment—the human terrain—throughout the full spectrum of military operations.

The Marine Corps is establishing a Marine Corps Special Operations Command (MARSOC) as a component of the US Special Operations Command (USSOCOM). MARSOC will enhance Marine Corps and USSOCOM interoperability and provide greater flexibility with increased capability to fight non-traditional threats. The mission of MARSOC headquarters will be to organize, man, train, and equip Marine Special Operations Forces. The command's subordinate units will provide training to foreign military units and perform specific special operations missions such as: direct action, special reconnaissance, counterterrorism, and foreign internal defense. MARSOC will be organized into three subordinate elements with an authorized strength of 2,600 Marines and Sailors. The current plan calls for IOC during the fall of 2006 and a full operational capability by 2010.

Active / Reserve Integration. Active Reserve Integration (ARI) aligns Reserve Component (RC) and Active Component (AC) personnel, training, equipment, and policy to provide a more effective and efficient Total Force capable of meeting dynamic National Defense requirements.

The Navy is currently aligning RC and AC units to better meet Operation Iraqi Freedom and Operation Enduring Freedom requirements and the Navy's vision for our future force structure. RC Helo-Combat Support (HCS) forces will be integrated into AC Helo, RC and AC Explosive Ordnance Disposal (EOD) units are being integrated and two RC Navy Coastal Warfare Units (NCW) are being converted to AC. The Navy established integrated Operation Vigilant Mariner units providing vessel security, as well as Expeditionary Training Teams improving multinational capabilities.

The Navy is studying the role of the RC in future Navy mission areas of Riverine Warfare and Civil Affairs. Ongoing initiatives to meet Operation IRAQI FREEDOM and Operation ENDURING FREEDOM Provisional Unit requirements, AC and RC Sailors are working together to fill billets in Civil Affairs, Detainee Operations, Intelligence, and Reconstruction Team efforts.

Implement the National Security Personnel System (NSPS). NSPS is a new civilian personnel system, designed to meet the DoD national security challenges of the 21st Century. NSPS will strengthen the ability to accomplish the Department's mission in an ever-changing national security environment. NSPS accelerates efforts to create a total force (active military, Reserve, Guard, civilian, and contractors), operating as one cohesive unit, with each performing the work most suitable to their skills. NSPS will provide a human resources system that appropriately recognizes and rewards employees' performance and the contributions they make to the Department's mission.

VII. Changing the Way We Fight

The Department of the Navy continues to transition to a force more capable of winning wars, deterring aggression, preserving the high seas, and securing the maritime domain, while ensuring access and sustainability of the Joint Warfighting Team in the blue, green, and brown water arenas. The Navy and Marine Corps team will continue to transform in response to a new force planning construct as articulated in the 2006 QDR. Naval forces will use the sovereignty of the sea and enhanced networked joint Sea Basing to operate without restrictions. The Department's Sailors, Marines, and Civilians will leverage innovative concepts, advanced technologies, and new business practices to increase warfighting effectiveness.

Meeting Future Challenges. Naval forces will engage potential adversaries as far from the United States and our interests as possible, and during times of crisis will form the leading edge of America's response. The ability of our forces to embrace and prevail in a future characterized by unrestricted warfare and uncertainty will be essential to mission success. The enduring role as our Nation's sea-based force will require that the Navy and Marine Corps Team provide access, fight and win, and continually transform.

Strengthening Joint Concepts and Operations. The Navy and Marine Corps Team is committed to strengthening and refining concepts and operations as part of the Joint fight. From combat operations in Iraq, to stability operations in the Horn of Africa, to counter-drug operations in the Caribbean, naval forces are increasingly working in concert with other uniformed services and government agencies. Joint acquisition of weapon systems and C4ISR capabilities will increase interoperability and effectiveness while reducing costs. The vision for joint maritime forces, to include the Coast Guard, is a networked fleet that is more capable of projecting naval power in the brown and green waters of coastal areas.

Enhancing Navy's Role in Ballistic Missile Defense (BMD). National Security Presidential Directive 23 identifies the Navy's role in BMD. That role is to support and ultimately field the maritime elements of the BMD system to support detection, tracking, and engagement of ballistic missile threats in all phases of flight. The Aegis BMD system contributes to the overall plan by providing the capability for Navy surface combatants, on-station near any area of concern, to detect missile launches, as well as cue and provide fire-control quality tracking information to ground-based interceptors. Additional capabilities to provide area defense by intercepting short- and medium-range ballistic missiles are being delivered to the fleet. USS LAKE ERIE (CG 70), the dedicated BMD test ship, has executed six successful flight tests of the SM-3 missile in seven attempts since 2002. The next test flight is scheduled for June 2006. The Aegis BMD capability has been installed on 12 ships: 2 cruisers (engagement capable), and 10 destroyers (long-range surveillance and tracking capable). By demonstrating the ability to track long-range ballistic missiles, and developing plans to demonstrate a sea-based engagement capability, the Aegis fleet has paved the way for the Navy to play a significant role in the nation's missile defense.

Define Future Force Structure/Capability. The FY 2007 President's Budget supports a larger, more capable naval force structure to meet joint warfighting requirements, presence missions, and GWOT demands. The budget provides for an increase in overall force structure, as well as a significant increase in capability. The annual investments in this budget support the growth of naval forces across the FYDP and lay the foundation for the force structure outlined in the Annual Long Range Plan for Construction of Naval Vessels for FY 2007. The plan is to build to a target force structure based on our best estimate of the requirements. The number of ships and types of ships in this target force structure will evolve over time. The Department intends to maintain near term stability to allow proper workforce, process, and capital end product planning. Based on Navy analysis, the capability required to support the QDR Force Planning Construct is about 313 ships of a mix as defined in the long range shipbuilding plan, providing capabilities that will make the fleet even more agile, fast, persistent, and lethal.

Surface Platforms. The FY 2007 shipbuilding plan supports the Navy's vision of a new generation of ships with higher speed, more persistence and precision, and reduced manpower and life cycle costs. The Navy's challenge is to build a fleet of the future that possesses the capability and capacity to meet joint demands for naval forces across the spectrum of operations from major combat operations to humanitarian assistance and disaster relief. The Department, through the Defense Planning Guidance, and QDR, has defined the required capabilities for the joint force through 2020. The FY 2007 President's Budget provides for seven new ships. The total number of new ships across the FYDP is 51, an increase of 3 ships from last year's budget projection.

CVN 21. Aircraft Carriers remain the premier asset for rapid crisis response and early decisive striking power in major combat operations. CVN 21 balances improved warfighting capability and quality of life improvements for the crew, with reduced acquisition and life cycle costs. Efficient nuclear propulsion, electromagnetic aircraft launch system, advanced arresting gear, and a three fold increase in electrical generating capacity will enable CSGs to provide forward presence, rapid response, endurance on station, and multi-mission capability. Construction of the lead ship (CVN 78) will cost \$10.5 billion, of which \$2.4 billion is non-recurring. Advanced procurement funding of \$784 million is requested in FY 2007 for CVN 78 and CVN 79. New technology development is on track and component testing is in progress. Steel was cut on the first advanced construction hull unit on April 2005, with the lead ship due to be delivered in FY 2015 to replace USS ENTERPRISE (CVN 65).

DD(X). The DD(X) is the Navy's next generation destroyer. It is designed as a multi-mission surface combatant tailored for land attack and littoral dominance by providing persistent volume fires with high survivability. Under the "Dual Lead Ship" strategy, Northrop Grumman Ship Systems and General Dynamics-Bath Iron Works will each build a lead ship to the common design. The funding for these ships will be split between the FY 2007 and FY 2008 budgets.

Littoral Combat Ship (LCS). The LCS will be a fast, agile and networked surface combatant with capabilities optimized to assure naval and joint force access into contested littoral regions. Two ships are currently under construction with delivery of the first LCS,

designated USS FREEDOM, scheduled for FY 2007. A total of 23 LCS ships will be procured between FY 2007 and FY 2011. LCS is designed with a speed goal of over 40 knots at full displacement in sea state 3 to help defeat anti-surface threats. It will possess inherent capabilities to conduct missions supporting special operations, maritime interception and homeland defense. The LCS sea frame is designed to be outfitted with reconfigurable payloads that can be changed out quickly. This modular design feature will provide the flexibility required to adapt to the uncertainty of the future.

San Antonio Class Amphibious Transport Dock Ship (LPD 17). USS SAN ANTONIO (LPD 17) was commissioned on 14 January 2006. LPDs 18 and 19 have been launched, and LPDs 20 and 21 keels have been laid and are in full production. Contract awards for LPDs 22-24 are expected in the 2nd quarter of FY 2006. LPD 17 is an amphibious transport dock ship that functionally replaces the LPD 4, LSD 36, LKA 113, and LST 1179 Classes of amphibious ships for embarking, transporting and landing elements of a Marine force by helicopters, landing craft, amphibious vehicles, and by a combination of these methods. Its unique design will facilitate expanded force coverage and decreased reaction times of forward deployed Marine Expeditionary Units. In forcible entry operations, LPD 17 will help maintain a robust surface assault and rapid off-load capability for the Marine Air-Ground Task Force (MAGTF) far into the future.

Maritime Preposition Force (Future) (MPF(F)). MPF(F) will transform the Maritime Prepositioned Ships-supported MEB from an ashore fighting unit to one that can operate continuously from a sea base without the need for support from land. The MPF(F) family of ships will advance the capability of seabasing to support a wide spectrum of Joint force operations. Special Operations Forces (SOF) will exploit afloat forward staging bases to provide more flexible and sustainable locations from which to operate globally.

The FY 2007 budget provides for procurement of one Dry Cargo and Ammunition Ship (T-AKE) in the National Defense Sealift Fund (NDSF). This will be the tenth ship of the class. The NDSF budget also includes funding for the development of future seabasing ships. The MPF(F) squadron of ships, a central part of the Sea Base operational concept, leverages current designs and production lines where possible. MPF(F) new construction commences in FY 2009 and includes one T-AKE variant and one Mobile Landing Platform (MLP).

Amphibious Assault Ship (Replacement) (LHA(R)). The President's Budget for FY 2007 includes \$1.1B for the LHA(R) program. LHA(R) will replace four aging LHA Class ships that will reach the end of their extended service life in 2011. The LHA(R) will be a modified LHD 1 Class, Amphibious Assault Ship variant designed to leverage capabilities inherent in the JSF and MV-22. A four-ship LHA(R) shipbuilding program is needed to maintain future power projection and forward deployed combat capabilities of the Navy and Marine Corps. As noted in the 23 October 2004 LHA(R) Report to Congress, the requirement for four ships is based on the current force structure (four LHAs being replaced by four LHA(R)s, with two of the four going to the MPF(F) squadron). LHA(R)s will include a significant increase in aviation lift, sustainment, and maintenance capabilities, spaces for a Marine Expeditionary Brigade, Amphibious Group, or small-scale Joint Task Force (JTF) staff, a

dramatic increase in service life allowances for new-generation Marine Corps systems, and substantial survivability upgrades.

Submarines.

SSN: Virginia-Class Nuclear-Powered Attack Submarine. Exceeding expectations and meeting all mission requirements, SSN 774 completed its first deployment in 2005, 14 months before its planned November 2006 Initial Operating Capability (IOC). FY 2007 funds the fourth of five submarines under a multi-year procurement contract awarded in January 2004. A total of 10 ships have been ordered. Our intent is to increase the production rate to two attack submarines per year starting in FY 2012.

SSGN: Nuclear-Powered Guided-Missile Submarine. The first of four Ohio Class Trident fleet ballistic missile submarine, USS OHIO (SSGN 726), completed the conversion process to launch Tomahawk missiles, completed sea trials, and returned to fleet service on February 7, 2006. The other three are scheduled to return to fleet service by September 2007. These submarines can carry up to 154 Tomahawk land-attack missiles and have the ability to conduct large-volume strikes with the surprise inherent in submarine operations. The SSGN has the capability to support a SOF contingent for an extended period of time, providing clandestine insertion and retrieval via built-in lockout chambers and dry deck shelters.

Aviation Platforms. The FY 2007 budget sustains aviation superiority for the Navy and Marine Corps and emphasizes capability-based investment strategies, new warfighting concepts, and enabling technologies. The Navy and Marine Corps tactical air integration plan continues to reduce the total number of new aircraft needed to maintain naval air superiority. The FY 2007 budget provides robust development funding for the F-35 JSF, MV-22, EA-18G, P-8A Multi-Mission Maritime aircraft (MMA), E-2D, CH-53K, VH-71 Presidential Support Helicopter, and JUCAV unmanned aircraft. The budget continues to maximize the return on investment, primarily through the use of multi-year procurement contracts for the F/A-18E/F, EA-18G, E-2C, MH-60S/MH-60R, and KC-130J. Additionally, the FY 2007 budget demonstrates the Department's continuing commitment to developing, acquiring, and fielding transformational Unmanned Aerial Vehicle (UAV) technologies for intelligence, surveillance, reconnaissance, and tactical missions. The budget includes funding for the Fire Scout for deployment on LCS ships, and the Broad Area Maritime Surveillance (BAMS) UAV.

F-35 Joint Strike Fighter (JSF). The FY 2007 President's Budget requests \$2.28B for the JSF. The first flight of the Conventional Takeoff and Landing (CTOL) variant is scheduled for August 2006; the first operationally ready carrier-based JSF squadron enters the fleet in 2013. The JSF will provide the Navy and Marine Corps with long-range, stealthy striking power from CVNs, large deck Amphibious Assault Ships (LHA/LHD, LHA(R)), and airfields. JSF variants will provide Naval Aviation with a 21st Century multi-mission tactical strike fighter, replacing the AV-8B, F-14, and the older F-18A/B/C/D airframes. Jointly developed with the Air Force and 8 other countries, the JSF is in its 5th year of development. The Marine Corps is pursuing the STOVL (Short Take-Off/Vertical Landing) version, while the

Navy will purchase a follow-on CV (Aircraft Carrier) variant. High commonality between the variants will reduce both acquisition and operating costs. It has been concluded that a single engine supplier provides the best balance of risk and cost. The maturity of technology as demonstrated with the engine development of the F/A-18E/F and F-22 indicate that sole source risks are modest and acceptable. Canceling development of the alternate source engine program will save \$1.8 billion through FY 2011.

MV-22 Osprey. The FY 2007 President's Budget contains \$1.5B for 14 aircraft. The MV-22 completed OPEVAL in 2005 and will reach its Initial Operating Capability (IOC) in 2007. Block A and Block B aircraft have been procured to support developmental testing, OPEVAL, training and initial fleet fielding. In full rate production, the aircraft procurement rate will ramp up to 37 aircraft per year. The program of record includes 360 MV-22s for the Marine Corps and 48 for the Navy. The demands of GWOT and modernization of our Expeditionary Warfare capabilities have increased the urgency to rapidly field the MV-22 Osprey. Its design incorporates advanced technologies in composite materials, survivability, airfoil design, fly-by-wire controls, digital avionics and manufacturing. The MV-22 is capable of carrying 24 combat-equipped Marines or a 10,000-pound external load, and has a strategic self-deployment capability of 2,100 nautical miles with a single aerial refueling. It is vastly superior to the CH-46E it replaces, with twice the speed, three times the payload, and six times the range. The V-22 Osprey, as a joint platform for the Navy, Marine Corps, and Air Force is providing significant opportunities for joint training, tactics development, and mission execution.

E/A-18G Growler. The FY 2007 budget includes \$0.9 billion for 12 EA-18Gs. The critical design review for the EA-18G was successfully completed in April 2005. The aircraft has completed its second year of system development and demonstration, is on cost, on schedule, and meeting performance standards. The EA-18G Growler will replace the EA-6B Prowler, providing full-spectrum electronic attack to counter enemy air defenses and communication networks. Many of the systems provided with the EA-18G will fulfill the Navy role in the Joint force in providing advanced technology to strengthen electronic warfare capabilities. As a tactical aircraft, its expanded flight envelope offers much greater speed, altitude, and maneuverability. The EA-18G will maintain a high degree of commonality with the F/A-18F, retaining the strike fighter and self-protection capabilities, while providing air-to-air self-escort to free other assets for strike-fighter tasking.

P-8A Multi-Mission Maritime Aircraft (MMA). President's Budget for FY 2007 requests \$1.13B for continued development of the MMA program. The program has successfully completed the system requirements review, system functional review, preliminary design review, and has entered the detailed design phase. The MMA will replace the P-3C Orion aircraft, which has reached the end of its service life. The MMA's transformational architecture will integrate its onboard mission suite with UAVs, satellite systems, and other external sensors to assure maritime access.

E-2D Advanced Hawkeye. The President's Budget for FY 2007 provides \$498M for the E-2D Advanced Hawkeye program that replaces the older E-2C. Utilizing new state-of-

the-art radar, open architecture processing systems, and other critical surveillance systems, the E-2D provides a two-generation leap forward in capability. The Advanced Hawkeye also adds improved surface and air search, air traffic control and communications, search and rescue coordination, and battle management capabilities. The E-2D completed critical design review in October 2005. The first test aircraft's flight is on track for FY 2007, with Initial Operating Capability (IOC) expected in FY 2011.

CH-53K Heavy Lift Helicopter Replacement. The President's Budget for FY 2007 provides \$363M for the continued development of the CH-53K program. The current Marine Corps heavy-lift aircraft, the CH-53E, has experienced significant operational wear, interoperability, and maintenance supportability challenges. In order to support the Marine Air-Ground Task Force (MAGTF) and the Joint Task Force (JTF) in the 21st century joint environment, the CH-53K will maintain the Marine Corps' heavy-lift capability. Major systems improvements include larger and more capable engines, expanded gross weight airframe and drive train, advanced composite rotor blades, modern interoperable cockpit, external and internal cargo handling systems, and improved survivability. The CH-53K will be capable of externally lifting 27,000 pounds, more than double the current CH-53E ability under similar conditions. Additionally, the CH-53K will be capable of carrying 30 combat-loaded troops. Initial Operating Capability (IOC) is planned for FY 2015.

F/A-18E/F Super Hornet. The President's Budget for FY 2007 provides \$2.3B for 30 aircraft. The F/A-18E/F Super Hornet continues to be the centerpiece of Navy combat aviation. Enhanced warfighting capability investments for the F/A-18E/F introduce a transformational radar, helmet-mounted sight, advanced targeting pod, and fully integrated weapons system. Significant improvements in combat range, payload, survivability, and growth capacity make the F/A-18E/F the dominant strike-fighter well into the 21st century. The F/A-18E/F is replacing the F-14 and early model F/A-18s. Lethality, flexibility, reliability, and survivability of the F/A-18E/F make it the right aircraft to fulfill a wide range of future missions.

MH-60R/MH-60S Seahawk Multi-Mission Combat Helicopters. The President's Budget for FY 2007 provides \$915 million for 25 MH-60R and \$548 million for 18 MH-60S models. Successful OPEVAL of the MH-60R was completed in September 2005 and the first four helicopters were delivered to the fleet in December 2005. The MH-60S was approved for full-rate production in August 2002 and is currently undergoing scheduled block upgrades for combat and airborne mine countermeasure missions. The Navy plans to acquire 271 MH-60S models. MH-60R/S platforms are produced with 85 percent common components to simplify maintenance, logistics, and training.

KC-130J Hercules Tactical Tanker and Transport. The FY 2007 President's Budget provides \$299 million for the procurement of 4 KC-130Js. The KC-130J is replacing the Marine Corps' aging fleet of KC-130Fs and KC-130Rs. The KC-130J will include warfighter modifications such as the addition of aircraft armor, upgrading the aviation survivability equipment suite, and improved in-flight refueling pods. Twenty-one aircraft have been delivered

to date, with Marines making the first combat deployment of six KC-130Js in February 2005. The Program of Record for the KC-130J is 51 aircraft.

Unmanned Aerial Vehicles (UAV). The Department is investing in a family of advanced UAVs. Systems such as the Fire Scout and the Broad Area Maritime Surveillance Unmanned Aircraft System (BAMS UAS) contain a variety of advanced sensors to give warfighters immediate actionable intelligence, and in the case of armed UAVs, the ability to strike targets that appear for a fleeting moment.

Fire Scout. The President's Budget for FY 2007 provides \$38 million for 4 Fire Scout UAVs and \$105 million for Fire Scout development. The Fire Scout Vertical Takeoff and Landing Tactical UAV (VTUAV) is designed to carry modular mission payloads and operate using the Tactical Control System (TCS) and Tactical Common Data Link (TCDL). Fire Scout will provide day/night real time intelligence, surveillance, reconnaissance, and targeting as well as communications relay and battlefield management capabilities to support LCS mission areas.

Broad Area Maritime Surveillance Unmanned Aircraft System. The FY 2007 President's budget provides \$26.4 million for the development of the BAMS UAS program. BAMS UAS is integral to the Navy's Intelligence, Surveillance, and Reconnaissance (ISR) recapitalization strategy providing a persistent, maritime, worldwide ISR capability. BAMS will consist of unmanned aircraft, payloads and ground/shipboard systems. The BAMS program will meet the Navy requirement for a persistent ISR capability, and address the enhanced maritime surveillance capability. Initial Operating Capability is expected in FY 2013.

Marine Corps Equipment

Expeditionary Fighting Vehicle (EFV). The FY 2007 President's Budget includes \$266 million for procuring 15 EFVs. The EFV will be the primary means of tactical mobility for the Marine rifle squad during combat operations. As a self-deploying, high speed, armored amphibious vehicle, the EFV is capable of transporting 17 combat-loaded Marines from ships located beyond the horizon to inland objectives. The EFV program is in the Systems Development and Demonstration (SDD) phase of the acquisition process with IOC scheduled for 2010. The Milestone C Operational Assessment began on January 16, 2006, and is being conducted with four SDD vehicles (three personnel (P) variants and one Command & Control (C) variant. An additional five SDD vehicles are undergoing extensive Reliability, Availability and Maintainability testing to grow vehicle reliability in support of LRIP. Certain operational assessment phases will occur three months later than planned to synchronize with the return from Iraq of the unit designated to participate. This will result in the Milestone C Operational Assessment being completed in August 2006, and the Milestone C decision in December 2006. This schedule change does not breach the program baseline, and will not affect the FY 2007 Budget request.

Lightweight Howitzer. The FY 2007 budget provides \$94 million to procure 34 M777A1 Lightweight Howitzers. The M777A1, through design innovation, navigation and positioning aides, and digital fire control, offers significant improvements in lethality, survivability, mobility, and durability over the M198 howitzer. The Marine Corps received the first of 356 new howitzers in April 2005.

Internally Transportable Vehicle (ITV). The ITV program is a Marine Corps-led joint program with the U.S. Special Operations Command to field an assault vehicle supporting expeditionary maneuver warfare and over-the-horizon amphibious operations. The ITV will provide MAGTF combat units with a vehicle that fits internally in the CH-53 and MV-22 aircraft. IOC is scheduled for September 2006, when a selected infantry battalion receives eight ITVs.

Light Armored Vehicle Product Improvement Program (LAV PIP). The FY 2007 budget includes \$26 million for the LAV PIP program, which will extend the service life through 2015, improve the readiness, survivability, and sustainability of these vehicles, and reduce the LAV fleet's operations and support costs. The extension program includes a block of vehicle upgrades, incorporating a next generation improved thermal sight system, and thermal and visual signature-reduction kits.

VIII. Improving Business Practices

Providing Sailors, Marines, and Department of the Navy civilians with high quality facilities, information technology, and an environment to achieve goals are fundamental to mission accomplishment. As the QDR states, this will demand a revolution in management, technology and business practices to reduce redundancies and ensure the efficient flow of businesses processes. The Navy and Marine Corps Team are implementing continuous improvement initiatives consistent with the goals of the President's Management Agenda. These improvements enable realignment of resources to increase our output and re-capitalize our force. The cornerstone of the continuous improvement effort is the implementation of industry proven Lean Six Sigma efficiency methodologies in day-to-day operations. The Department of the Navy will continually evaluate systems and processes to optimize their responsiveness.

Efficiently Implement BRAC 2005 Decisions. The BRAC process has been a major tool for reducing the domestic base structure and generating savings. Continuing to balance the Department's force and base structures by eliminating unnecessary infrastructure is critical to preserving future readiness. The FY 2007 budget reflects a fully financed implementation program that completes all closures and realignments within the statutory six-year implementation period. In FY 2010 and beyond, annual savings exceed annual costs, and the Department will see a positive return on investment.

Actively Foster Department of the Navy Business Transformation. The Department is transforming people, processes and systems, and aggressively adopting proven

best commercial practices to support business transformation objectives. Initiatives will complement each other, resulting in better-controlled, integrated and automated processes that deliver more accurate, reliable, and timely financial management information. The goal of the Department's business process transformation is to provide reliable, accurate, and timely business intelligence, supporting resource efficiency and sound business decisions. It will involve building a modern, integrated, automated environment within the DoD architecture. The Department's business transformation continues to evolve, providing the framework within which future business processes will operate.

Since 2002, the Navy and Marine Corps have integrated their tactical aircraft to reduce excess capacity and provide equal or greater combat capability with fewer resources. Efficiencies gained through integration, and investing in more capable aircraft (F/A-18E/F Super Hornets and F-35 Joint Strike Fighters) allows the Navy and Marine Corps to reduce the number of active and Reserve squadrons while continuing to provide flexible, responsive, and interoperable forward deployed combat air power. It also allows for reduction in the sustainment, maintenance and training requirements, providing Operations & Maintenance savings to be invested in more pressing areas.

The Department will continue to be aggressive in pursuing new business initiatives that will make the Navy and Marine Corps more efficient, effective and responsive.

Optimize Management of Naval Installations, including Environmental Stewardship

Building the Navy and Marine Corps' future shore infrastructure requires the "right bases" in the "right places" with the "right capabilities" at the "right price." The Commander of Naval Installations is providing the mechanism for senior Navy leadership to guide planning ashore in support of operations afloat through *Navy Ashore Vision (NAV) 2030*. This document develops the first set of guiding principles to help leadership plan and execute basing and investment strategies. *NAV 2030* provides an agile foundation to size and locate ashore infrastructure. It capitalizes on innovation and effectiveness to sustain fleet readiness and reduce cost. Success in realigning and revitalizing the shore infrastructure is vital to our future Navy. We must capitalize on joint basing opportunities with our sister services to consolidate support delivery, reduce duplication, and improve operational efficiency while enhancing combat effectiveness.

Regionalization of Marine Corp installations will bring all Marine bases and stations, with the exception of recruit training depots, under the purview of five Marine Corps Installation Commands. This transformation will provide optimal warfighter support, improve alignment, enhance use of regional assets, return Marines to the Operating Forces, and reduce costs.

Utilize Information Technology to Improve Efficiency and Effectiveness.

Information Technology (IT) is critical to providing secure, accessible, timely and accurate information needed for the 21st century Navy and Marine Corps Team. By integrating national security, business and war fighting systems, we will reduce redundancies, inefficiencies, and time-critical delays across the Department. The use of standardized, open architecture protocols and equipment reduces costs, enhances flexibility, and improves network security. Today, the Navy and Marine Corps Intranet (NMCI) is serving over 600,000 users and supporting critical business and combat support applications. During FY 2006/2007 we will complete the deployment of NMCI seats, transition legacy systems and servers to NMCI, shutdown the vast majority of our legacy networks, and seamlessly integrate the sea and shore networks to provide one secure high performance environment for our next generation of combat, combat support and business operations.

IX. Conclusion

The Navy and Marine Corps Team is proudly serving our Nation, answering the call to protect America and her strategic interests. In preparing for the future we will not overlook the present. The FY 2007 President's Budget request is about both prevailing in today's wartime environment and bridging to a successful future. We are confident in our warfighting success and contribution to the joint force today and will improve it with the investments of this budget. As we commit to being responsible stewards of the American treasure, both in lives and in dollars, we set a course to do our share to win our Nation's wars and prepare to meet future challenges.

Our Sailors and Marines are bearing the burden of today's war. More than just forward deployed, they are continuing to make sacrifices in defense of liberty. They are performing superbly, bringing honor and renown to the naval service. These proud warriors deserve not only the accolades and laurels of a grateful nation, but our full measure of support as they continue to serve in defense of the United States.

In supporting the funding decisions outlined in the FY 2007 President's Budget request, the Congress will continue to provide the Department of the Navy the right force for the Nation today, while preparing for the uncertainties of tomorrow. We are grateful for the unwavering support that Congress has given the Navy and Marine Corps in the past, and we appreciate its clear intent to ensure our strategic readiness for any future contingency. Its continued support is critical to our nation's security and to our ability to meet America's global responsibilities. On behalf of every Sailor and Marine in today's naval forces and the warriors who will serve tomorrow, I thank the Congress for its continued support of and confidence in the United States Navy and the United States Marine Corps.